MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BBF2044 – BANK MANAGEMENT

(All sections / Groups)

7 OCTOBER 2016
9.00 a.m. - 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

b. This question paper consists of 3 pages with 5 Questions only.

c. Attempt **FOUR** out of **FIVE** questions. The distribution of the marks for each question is given.

a. Please write all your answers in the Answer Booklet provided.

QUESTION 1

A. Bank capital, and bank's liquidity position, are concepts that are central to understanding what banks do, the risks they take and how best those risks should be mitigated. List and discuss five (5) factors that explain why banks must have adequate liquidity. (10 marks)

B. The single most important assurance is for the economic value of a bank's assets to be worth significantly more than the liabilities that it owes. The difference represents a cushion of capital" that is available to cover losses of any kind. List and explain (5) five qualitative measurements of bank liquidity. (10 marks)

C. Bank Negara Malaysia (BNM) is an integral part of the Government's machinery in achieving the macroeconomic and social objectives of the country. Briefly explain any five major objectives or functions of BNM. (5 marks)

(Total 25 Marks)

QUESTION 2

The Malaysian financial system comprises of a diversified range of institutions that serve the varied and complex needs of the domestic economy.

A. Describe the functions of the Malaysian financial system. (12 marks)

B. With an illustration, explain the participants in the financial system and the roles they play. (8 marks)

C. Money supply in Malaysia is defined into three categories, M1, M2 and M3. Define M1, M2 and M3. (5 marks)

(Total 25 Marks)

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QUESTION 3

A. "Capability" and "condition" are two of the Cs in credit. Discuss any 3 capability factors for individuals and 3 for companies and the conditions to consider when evaluating these two Cs. (10 marks)

B. Financial ratios are used to determine the financial health of a borrower. However, financial ratios have their limitations. Discuss any five (5) limitations in using financial ratios. (10 marks)

C. Conflict of interest may occasionally arise when an individual's work in a banks. Discuss three different scenarios under which conflict of interest may arise. Give an example for each of these scenarios. (5 marks)

(Total 25 Marks)

QUESTION 4

A. Discuss why is the physical presence of a bank still important to many customers despite recent advances in long-distance communications technology? Explain what do you see as the principal benefits and costs of government regulation on the number of financial-service charters issued? (10 marks)

B. As risk is directly proportionate to return, the more risk a bank takes, it can expect to make more money. However, greater risk also increases the danger that the bank may incur huge losses and be forced out of business. Discuss five (5) benefits of risk management to banks. (15 marks)

(Total 25 Marks)

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QUESTION 5

A. (i) List three sources and three uses of funds of merchant banks in Malaysia. (6marks)

(ii) Explain the importance of asset-liability management in financial institutions in Malaysia. (3marks)

(iii) Name two benefits of bank mergers in Malaysia. (3marks)

B. Describe the following Islamic banking principles:

(i) Al-Wadiah (3marks)

(ii) Al-Musyarakah (3marks)

(iii) Bai' Al-Dayn (3marks)

C. The Bank Supervision department is the regulatory arm of the Central Bank. Briefly describe two regulatory functions of Bank Negara Malaysia (BNM). (4marks)

(Total 25 Marks)

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